Regionalism in Ukraine

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Introduction: Regionalism in Ukraine

Until recently, the debate in political studies on sub-national ‘regionalism’ and ‘new regionalism’ has mainly concentrated on Western societies. With the enlargement of the European Union, the new East Central European member countries received more focus (Keating/Hughes 2003). Only few scholars, however, have extended this discussion to post-Soviet countries such as Ukraine (Kuzio 2001, Sasse 2002, Tatur 2004). Ukraine combines a unitary state with marked regional diversity and a short history as independent nation state. These features make it a truly interesting case for the study of regionalism.

In the actual debate, the term regionalism refers to the emergence of sub-national regions as new spaces of production characterized by local embeddedness, dense intra-regional interactions and increased inter-regional competition in the European and global markets (Keating 2003). Yet there is no generally accepted definition of regionalism. The understandings of what regionalism exactly means vary; but so do the manifestations of regionalism in the ‘real world’. There are some aspects of regionalism that figure prominently in the actual debate on ‘new regionalism’ (Keating/Loughlin/Deschouwer 2003). One such feature is the bottom-up approach as opposed to the traditional top-down perspective that perceived regions as mere objects of central state regional policy. Another aspect that increasingly comes into the focus of the debate is the societal embeddedness of regionalism.

Regionalism, however, is not only an intensely debated analytical concept in political studies and related areas. In some respects it also is a political idea bearing a certain positive connotation. According that point of view, the best path towards the development of regions is the involvement of their internal potential, their traditional structures of local economies and businesses, and their institutional ties between authorities, entrepreneurs and the public. Indeed, regional identity and social capital have in numerous studies proven to be conducive to the institutional, democratic and economic performance of regions (Keating/Loughlin/Deschouwer 2003, Putnam 1993, Stan 2003).

It is doubtful if regionalism or ‘new regionalism’, as it is currently observed and debated in Europe, can be easily applied to Ukraine. Ukraine lacks many of the context factors in which ‘new regionalism’ came on the political agenda in Western Europe since the mid-1980s. And in contrast to the East Central European new EU members Ukraine had few incentives to adapt its political institutions to the Acquis Communautaire, for example to introduce the NUTS system as a basis for structural funds allocation.
Using a broader definition of regionalism, however, we can identify a number of ‘regionalisms’ in Ukraine that are worth being looked at more closely on the background of the actual regionalism debate and in the theoretical context of institution building in post-Soviet countries. Therefore, this paper aims to offer some preliminary ideas about four decisive aspects of regionalism in today’s Ukraine: (1) the ethno-lingual Russian-Ukrainian cleavage and its politicization in the presidential elections, (2) the question of regional identities and their potential for regional development, (3) the societal embeddedness of regionalism in terms of regional civil society, and (4) the phenomenon of regional clan networks and ‘oligarchs’ in the economic sphere. As a conclusion the paper argues that informal institutions such as vertical patron-client relationships and closed networks inherited from the Soviet system still largely shape social interactions. The paper draws on general literature about regionalism from the Western debate on the one hand, and on literature as well as empirical evidence about the specific Ukrainian case on the other hand. Being a work in progress the paper offers no exhaustive analysis or even theory of Ukrainian regionalism but rather some preliminary insights into the political, societal and economic dimensions of regionalism in this young nation state.

Ukraine is characterized by the combination of a unitary political system with a regionalized society. In order to evaluate the incentives Ukraine’s unitarian territorial system creates for regionalism, the following section provides a brief description of its basic characteristics contrasted by an overview of Ukraine’s regional diversity. This section provides the basis for the following in-depth analyses of the four features of regionalism in Ukraine mentioned above.

A Centralized Unitary State and a Regionalized Society?

As the formal institutional system is concerned, Ukraine is a unitary and relatively centralized state. During the protracted constitutional process Ukraine’s elites perceived a unitary state to be the best guarantor of coherence and central state authority in a regionally diverse country (Sasse 2002). Despite the idea of federalism being a constant in Ukraine’s political debates, they never resulted in institutional changes (Kuzio 2001). The rejection of federalism is one of the few issues agreed upon in a vast majority of the political elite until today (Korrespondent 4.12.2004: 32-36). This might partly be due to the experience with Soviet federalism and its ultimate collapse.
The Ukrainian territory is divided into 27 administrative units: 24 regions (oblasti), the Autonomous Republic of Crimea and the cities of oblast’ status Kyiv and Sevastopol’. The Crimean Autonomous Republic enjoys a certain autonomy within Ukraine, including its own constitution, legislature, and cabinet of ministers. Ukraine inherited its administrative territorial division from Soviet times. The oblasti were only partly concomitant with historically evolved cultural regions. They sometimes cut across two or more administrative regions, as in Eastern Galicia or the Donbas.

The executive branch is broken down into a three-tier structure with vertical subordination. Rayon and city administrations are subordinate to oblast administrations, which in turn are subordinate to the central government. The heads of oblast administrations (governors) are appointed by the president of Ukraine. In Crimea, the chairman of the cabinet of ministers is appointed and dismissed by the regional supreme council with the consent of the president of Ukraine. Regional councils are directly elected for a four-year term. They are supposed to look after common interests of the municipalities, but hold relatively small competencies. Power rests mainly with the center and, to a lesser extent, with local self-governing bodies. The low significance formally assigned to the intermediate tier of government is illustrated by the fact that the 1996 constitution subsumes the competencies of the regional level under ‘local self-government’ (Constitution of Ukraine, Art. XI).

The system of public finance is centralized as well, though significant progress has been made by a reform of interbudget relations in 2001 and 2003. The new budget code decentralized financial resources and introduced a clear division of expenditure responsibilities and revenues among levels of government as well as a formula bases approach for the calculation of intergovernmental transfers (Kononets 2002). According to an IMF evaluation, the reform significantly strengthened fiscal transparency and accountability (IMF 2004). The reform has mainly increased local, not regional budget powers. In 2002 local (i.e. rayon and municipal) budget expenditures comprised 8.6 per cent of GDP, regional budgets only 2.6 per cent (ibid).

A core problem of region-center relations remains the duplication of functions and the unclear subordination of regional executives to presidential administration, the respective branch ministries and the regional councils.

To sum up, though perforated by an asymmetric institutional autonomy arrangement in Crimea and efforts in decentralizing public finance, the formal territorial system of Ukraine can be described as a centralized unitary state.
In contrast to this administrative and (formally) political centralization, Ukraine is characterized by strong regional diversity. This is reflected by Article 143 of the Ukrainian Constitution, according to which the country’s territorial structure is based on

“a combination of centralization and decentralization in implementing state authority, and the equilibrium of social and economic regional development, taking into account their historic, economic geographic, and demographic characteristics, ethnic and cultural traditions”.

This regional diversity has been a decisive aspect of Ukraine’s state-building and still plays an important role in the ongoing nation-building process. Throughout the 1990s the east-west territorial divide and the Crimea question led to speculations about a potential for instability or even the possible disintegration of the country.

Ukraine is composed of several historical macro-regions. The eastern parts on the left bank of Dnepr River have belonged to the Russian Empire since the 17th century and afterwards to the Soviet Union. The central regions on the right bank became Russian only after the Polish partitions in the second half of 18th century. Ukraine’s southern regions became Russian after the Russian-Turkish wars at the end of the 18th century. The Western regions of L’viv, Ternopil’ and Ivano-Frankivs’k had belonged to Poland from the fourteenth century onwards. From 1772 to 1918 they were part of the Habsburg empire. After a short spell of independence the region became Polish again and came under Russian influence as late as 1939, when Galicia and Volhynia were annexed by the Soviet Union on the basis of the Molotov-Ribbentrop pact. As a consequence, western Ukraine is much less influenced by Russian culture and Soviet legacies than the central, eastern and southern parts of the country. The Soviet system was widely perceived as foreign domination, not as legitimate rule. Austro-Hungarian and Polish rule left their mark on the region and ‘European’ values such as civicness, respect for private property and rule of law are stressed in the region’s identity discourse today (Šabić 2004: 138 f.). Western Ukraine with its cultural and intellectual center L’viv can be regarded as the heartland of Ukrainian national identity.

The historical macro-regions differ significantly in cultural heritage, and cultural memory as well as language use, ethnicity, and political orientation. The differences between the historical regions, and the question how to best divide and analyze them (two, four, five or even eight macro-regions) are among the favorite topics of researchers of Ukraine and there is a vast literature on it (Barrington/Herron 2004, Birch 2000, Kubicek 2000, Kravchuk 1999, Kuzio/Kravchuk/D’Anieri 1999, Shulman 2004, Tatur 2004).

The picture of the historic macro-regions is complemented by three regions with marked ethnic minorities. One of them is the Republic of Crimea with 12 per cent of Crimean Tatar
population. Apart from that, in Crimea the shares of ethnic Russians (58 per cent) and Russian
speakers (77 per cent) are the highest in the country.¹ The multiethnic Transcarpathia oblast’,
one of the smallest in Ukraine, borders on four countries: Poland, Slovakia, Hungary and
Romania. Accordingly, Transcarpathia region has a considerable Hungarian minority (13 per
cent) alongside smaller groups of Russians, Romanians, Slovaks, Rusyns (officially consid-
ered a sub-group of Ukrainians), Gypsies, and others. It probably is precisely because of these
many sub-regional cleavages and widespread intermarriage generating multiple identities
(Sasse 2002) as well as because of the region’s minor economic significance that claims for
special autonomy arrangements in the early and mid-1990s were not successful. In another
border region, Chernivtsi, 12.5 per cent of the population consider themselves Romanians and
7.3 per cent Moldavians.

As we have seen, marked regional disparities and diversities in Ukraine go together with a
relatively centralized unitary state. In the following sections, four features of Ukrainian re-
gionalism will be discussed in detail, starting with the politicization of the Ukraine-Russian
ethno-linguistic cleavage.

**Politicizing the Russian-Ukrainian cleavage**

The main cleavage in Ukraine is ethno-linguistic and exists between Ukrainians and Russians.
The strongest identification with Ukrainian culture and language can be found in the Western
regions, each comprising an about 95 per cent share of ethnic Ukrainian population (Ivano-
Frankivs’k, L’viv, Rivne, Ternopil’, Volyn’). Ethnic and linguistic identification with Russia
is strongest in Crimea and the eastern regions, especially Donec’k and Luhans’k, where in
2001 almost 40 per cent of the population identified themselves as Russians by nationality
and 70-75 per cent considered Russian their native language.

However, it would be a simplification to divide Ukraine into an ethnically and linguistically
Russian eastern part and an ethnically and linguistically Ukrainian western part. The ethnic
and linguistic as well as political boundaries between these groups are blurred. For example,
almost 15 per cent of ethnic Ukrainians regard Russian as their mother tongue. In addition, 43
per cent of Ukrainians and 55 per cent of Russians are bilingual, i.e. have a good command of
the respective other language.

¹ If not specified, all data is taken from the 2001 All-Ukrainian population census, State Statistics Committee of
Besides, the central regions of Ukraine are often overlooked, where the adherence to one or another ethnicity is not as politicized as in western and eastern Ukraine. The population of the central oblasti on the left and right banks of Dnepr River totals 16 million, which is a third of Ukraine’s population. Ukrainian population prevails here, but there are significant Russian minorities (13 per cent in Kyiv city, for example) and Russian is widely spoken, especially in urban areas. In addition, the Russian-Ukrainian cleavage is not only a regional one. Russian language is more popular in urban than in rural areas and among middle-aged people than among the young and the elderly. Hence, the Russian-Ukrainian ethno-linguistic cleavage is significant but it is not as clear-cut as the popular idea of the Ukrainian east-west dichotomy suggests.

Yet last year’s presidential election campaign has shown that this does not mean that the east-west divide cannot be politicized and activated in people’s minds. In these months, the east-west dichotomy was instrumentalized both by the ruling coalition around Kuchma and Yushchenko’s opposition movement. In contrast to the 1999 presidential elections, when the Russian-dominated eastern and southern regions were split about Kuchma and his communist opponent Symonenko, the results of the 2004 presidential elections showed a clearer picture (see map 1). Victor Yanukovich, former governor of Donec’k, got the majority of votes in virtually all eastern and southern regions as well as the Autonomous Republic of Crimea, whereas Victor Yushchenko won in the western and central regions of the country. The regions with the highest shares of Russian population (Sevastopol’, Crimea, Donec’k and Luhans’k) also exhibited the clearest majorities for Yanukovich. In turn, Yushchenko got results of 90 per cent and higher in Ukrainian-dominated western regions of Ivano-Frankivs’k, L’viv, Volyn’ and Ternopil’.

These events remind of Juan J. Linz’ warning about the “Perils of presidentialism” (Linz 1990). In his article he argues that presidentialism is problematic for countries in transition to democracy and especially for nations with deep political cleavages for various reasons. As presidentialism works according to the logic of ‘winner-take-all’ it tends to make politics a zero-sum game (ibid.: 55 ff.). In polarized societies this may produce potential for conflict, as during the fixed term of a president in office, there is no incentive for shifts in alliances, grand coalitions or consociational agreements between the two major parties. The Ukrainian example clearly supports this reasoning. Not only was the society extremely polarized during the elections, also the efforts of the Kuchma camp to falsify the elections fit into this picture. As the winner takes all and the loser gets nothing, the stakes are higher than in parliamentary

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2 Division of macro-regions according to Birch 2000.
systems, both for the incumbent and for the party challenging him. Taking into account the personal economic privileges connected to government positions for politicians such as Kuchma and his entourage, they have much more to lose than just a political office. Considering this, it is rational to pay a high price in order to keep these privileges (or to gain them, which is much more difficult lacking the necessary administrative resources).

The envisaged establishment of a parliamentary system and proportional representation in Ukraine in autumn 2005 could open a path to alleviate both the potential for societal polarization and conflict around national elections. Of course, Linz admits (and evidence from African countries suggests) that parliamentary regimes do not guarantee stability and good democratic performance (ibid.: 53). Yet in the case of Ukraine a parliamentary system may provide an opportunity to better represent the country’s diversity in national politics and to avoid the dangerous politicization of ethno-linguistic regional cleavages that, as we have seen, in reality are much more blurred than it is often assumed.
A view usually associated with historical institutionalism is the division of the flow of historical events into periods of continuity punctuated by ‘critical junctures’ (Hall/Taylor 1996: 958). These are moments in history where, following for example a economic crisis or military conflict, a ‘window of opportunity’ is opened, paths can be changed and institutional development can take place. It remains to be seen if the recent events in Ukraine provide such a ‘window of opportunity’.

In the next section we will have a closer look at two Russian dominated regions that in the past posed separatist challenges to Ukraine: Crimea and Donbas. Even though in the wake of the ‘Orange Revolution’ separatist polemics were pronounced in these regions again (RFERL Newsline 29.11.2004), today no one seriously believes in the possibility of the Crimea or Donbas separating from Ukraine (Korrespondent 4.12.2004). What remains a distinct feature of these regions, however, is a strong regional identity. The next section examines the nature of these identities and asks if they correspond to the concept of ‘new regionalism’.

**Regional Identities: The Autonomous Republic of Crimea and the Donbas**

Traditional modernization wisdom predicted that with growing division of labor, market integration, social assimilation and uniform nation states, local and regional cultures would lose significance. In recent years, however, a different phenomenon could be observed: Recent years saw an awakening and sometimes the reinvention of old territorial and cultural identities (Keating 1997, Keating/Loughlin/Deschouwer 2003). In several countries of Western Europe we have seen a revival of regional ethnic and linguistic identities. In the case of the Flemish and Walloon regions in Belgium, the Basque, Catalan and Galician movements in Spain as well as the Scottish, Welsh and Irish nationalism in the United Kingdom, these pressures have led to changes in both polity and politics.

In addition, there has been a growing appreciation that in the context of globalization and marketization, a distinct regional culture might be an asset for development. Cultural regionalism, it is argued, fosters forms of identity and collective action that in turn help to activate the social mobilization required in the new regional development paradigm (Keating/Loughlin/Deschouwer 2003: 20). A sense of identity in a region can enhance mutual interpersonal trust and thus overcome collective action problems and encourage positive-sum outcomes from political and economic interaction (Keating 1997).

The common identity of a region forming a regional “imagined community” (Andersen 1998) is permanently socially constructed. It can be based on ethnic, linguistic, cultural, socio-
economic or other features. Often, two or more features overlap or reinforce each other. In constructing identities it is of minor importance if these qualities ascribed to a region exist in reality or are myths (Keating/Loughlin/Deschower: 182).

In Ukraine, we can find some regions with marked regional identities. These identities, however, are based on different characteristics. In the following, I will introduce two Ukrainian regions, each drawing on specific features in the construction of their regional identity. In Crimea, Russian ethnicity and language are the main features of regional identity. In contrast, socio-economic characteristics are the main points of reference of regional identity in the Donbas. I will argue that for different reasons both types of regional identity are ambiguous in their effects and have little to do with ‘new regionalism’.

The Crimea issue posed a serious ethno-regional challenge to post-Soviet Ukraine. What started with demands for more territorial autonomy already in the late USSR and more clearly in the first years of post-Soviet Ukraine in 1991 and 1992, culminated in the Russian separatist and nationalist movement in 1994. In this year, the newly elected Crimean President Yuri Meshkov managed to mobilize a dormant ethnic sentiment. A serious conflict was prevented by the “constitutional sequencing” (Sasse 2002) of the national and regional constitutions throughout 1990-1998. This defused conflict potential by locking the different parties into a protracted negotiation process. The process resulted in the guarantee of autonomy status to the Republic of Crimea, which includes regional tax and language provisions to the Republic.

The Crimea example shows that strong regional ethnic and linguistic identities can have positive and negative effects. On the one hand, a common ethnic background or language can serve as point of departure for a successful construction of a region as an entity and can foster interpersonal trust and the social ties necessary for economic development (Keating 1997: 38). On the other hand, cultural regionalism may imply the danger of excluding those outside the region or minorities within the own region (ibid.: 39). This was the case with the Crimean Tatars, whose status as an indigenous people and their political integration has not yet been resolved. This remains a potential for conflict, as tensions around the 60th anniversary of Stalinist deportation in spring 2004 demonstrated (Deutschlandfunk 22.05.2004). The question was also instrumentalized in the presidential election campaign. Opposition candidate Victor Yushchenko tried to get the Tatars’ support by promising more minority rights, whereas Victor Yanukovich counted on the votes of the Russian population and evoked fears of fundamentalist Islam terrorism by drawing analogies to the conflict in Chechnya. Accord-
ingly, Crimea’s Tatar population strongly backed the ‘Orange Revolution’, while the Russian population showed broad support of Yanukovich (RFERL Newsline 18.01.2005).

To conclude, minority nationalism that is not based on civic identity but on an exclusive idea of group membership may promote social disintegration (Keating 1997: 39). A second problem is that the legitimate quest for autonomy often connected to cultural regionalism may endanger the national unity if it takes the extreme form of separatism. This is especially an issue for young nation states such as Ukraine.

**Donbas** is a region with a strong regional identity as well, but it is different in nature from the ethnic-nationalist identity prevailing in Crimea. In the Donbas, regional identity and its politicization is formed very much along socio-economic issues and a diffuse mix of Russian and Soviet culture and ideology.

The two *oblasti* comprising the Donbas region, Donec’k and Luhans’k, play a key role in Ukraine’s economy, although the region has suffered severely from the economic decay in recent years. In Soviet times the Donbas enjoyed many economic and social privileges and was also an important power base. Officials and politicians from the region often moved up the Soviet career ladder in Kyiv and Moscow. As early as in the 70s annual growth rates for industry in the region declined and investments were shifted to more productive coalmining areas in the Soviet north and Siberia (Zimmer 2004: 238). Throughout its history, starting with industrialization in the middle of the 19th century, the Donbas has been dominated by a coherent power structure. Political and industrial elites where highly interwoven and held close contacts to the respective capitals Kyiv or Moscow while ruling in their own “principalities” (Zimmer 2004: 239).

As Kerstin Zimmer found out during her interviews, people in Donec’k “exhibit a strong identification with their region”. Surveys confirm that identification with the home region is nowhere higher than in Donec’k (Zimmer 2004: 254). In addition, the perceptions about what the region is are quite homogenous both among the elite and the regional population (ibid.). As the Donbas has always had strong in-migration, it functioned as a kind of a ‘melting pot’, where the local or regional identity has more weight than the origin, be it Russian, Ukrainian or something else. As most Ukrainians speak Russian as their first language, the ethnic borders are blurred. Kerstin Zimmer observed in her interviews that the region is not thought about in spatial, ethnic or political terms, but in economic categories as an industrialized and urbanized area (Zimmer 2004: 260).
People in Donbas derive their self-esteem from a self-identification as hard-working heroes and “parts of a vanguard” (Zimmer 2004: 256). The notion of nationalism usually is associated with Ukrainian nationalism and has a negative connotation. During the 2004 elections, for example, ‘nationalists’ was an insult the Donec’k based Yanukovich team often used with regard to Yushchenko and his ‘Our Ukraine’ faction.

In Soviet times, people identified themselves with the Donbas region on the one hand and the Soviet Union on the other hand. Identification with Ukraine, i.e. the Ukrainian Soviet Republic, was weak. It remains weak today, but the fact of an independent Ukrainian nation state is not questioned. Local elites have accepted the Ukrainian state “as a framework for action” (Zimmer 2004: 258). The lack of affective relationship the ‘new’ Ukrainian nation state is understandable as patriotism takes time to develop. Besides, it is doubtful if an emotional adherence to national symbols is at all necessary for a national state.

What might be problematic in terms of regional development is the backward orientation of the Donbas regional identity. The great, heroical times of Donbas were in the Soviet Union, when salaries in Donbas where high and the physical work of miners and steelworkers highly valued. The years since Ukrainian independence are widely perceived as a continuous decline in both a materialist and an idealistic sense. As a result, we can identify a strong regional identity, but it is not productive because it is oriented backwards, to the ‘good old days’. Both the elite and the population tend to be oriented towards the past, the few progressive actors are isolated outsiders (Zimmer 2004: 265 f.). The actual crisis is seen as a temporary phenomenon which has its causes outside the region. Thus, no need is seen for the development of new regional strategies (Zimmer 2004: 263). It is precisely the permanent reference to the glorious past that prevents the development of new ideas and an innovative regional strategy: The Donbas has always been characterized by large enterprises and heavy industry and this is what the region is proud of. So, why change the type of economy which has guaranteed the region’s welfare for more than a century?

To sum up, in the specific post-Soviet context, the Donbas region is not able to use its strong regional identity as a source for development because the identity discourse is “detached from reality” (Zimmer 2004: 267). The issues connected to Donbas regional identity seem to point in a direction that is almost the opposite of the hopes usually associated with regionalism: It is not about reform, modernization or even democratization, but in contrast, it is about the preservation of Soviet economic structures and subsidies as well as anti-democratic political values (Nemyra 1999, cited in Sasse 2002: 85). As a consequence, despite of attempts to
attract foreign capital, for example by establishing free economic zones, conditions for for-
eign direct investments remained unfavorable (van Zon 2003). Thus, the prevailing means of
regional policy remains “squeezing the state” (ibid.) through subsidies and tax exemptions in
order to preserve the out-dated industrial sectors. This type of regionalism can best be de-
scribed as “defensive regionalism” (Keating 1997). In Western Europe, this was the case in
rural areas or declining industrial areas, which were united as a region committed to one
common goal: resisting change.

In this section, we have seen two regions with marked regional identities, each based on
different characteristics. In all these cases, however, a certain ambivalence can be identified
as the impact of this identity is concerned. In Crimea, a non-civic minority nationalism chal-
enged both social integration within the region and the coherence of the young nation state.
In Donbas, a backward oriented regional identity based on the myth of the ‘glorious Soviet
times’ inhibits structural change and economic modernization.

In the following section we will turn to another aspect of regionalism that currently is widely
discussed both for Western and Eastern European regions, regional social capital and civil
society.

**Regional Civil Society and the Societal Embeddednes of Regionalism**

Following the idea of regionalism, regions need to organize for development by mobilizing
productive resources and social networks to create the synergies needed in the international
and inter-regional competition and to adapt to changing conditions of production (Keating
2003: 53). ‘Social capital’ has become a key concept in this context, both in research on
Western and Eastern Europe. This is not the place to undertake a detailed analysis of regional
social capital in Ukraine. Rather I would like to concentrate on civil society as one aspect of
social capital and present some preliminary thoughts about the implications of Ukraine’s
weak civil society for regionalism.

The overall strength of civil society in Ukraine is not very high both in qualitative and quanti-
tative terms, although significant development has occurred in the fourteen years since inde-
pendence. In general, their impact is limited because of scarce financial resources, their de-
pendence on international donors and the narrow base of public support (World Bank 2003).
Until recently, the view was often expressed that civil society organizations have almost no
public influence and are regarded with distrust in the public (UNDP 2002, Romanenko 2003).
After the events of the ‘Orange Revolution’ this view changed because non-government
organizations (NGO’s) such as ‘Pora’ (‘It’s Time’) played a key role in the preparation and organization of the movement that finally resulted in repeated elections.

Yet these recent events, having their centers in Western Ukraine and Kyiv, reflected again the uneven geographic distribution of civil society activity within Ukraine, that was known already before (UNDP 2002, Åberg/Sandberg 2003). It is difficult to assess the real number of civil society organizations, as official data on registered organizations is significantly higher than the number of actually functioning organizations (World Bank 2003, Kuts 2001). Overall the number of NGOs per capita in Kyiv and Western regions, especially L’viv oblast, is estimated higher than Ukrainian average (50.9 NGOs per 100.000 inhabitants) whereas in eastern and southern regions, the numbers are lower than average (Kuts 2001).

The number of NGOs, however, is a very crude measure for civil society activity. Firstly, it tells nothing about the amount of people actually involved in civil society activities nor does it tell us if these people are employed staff who live from international grants or volunteers who spend their leisure time in these organizations. Secondly, the sustainability and stability of NGOs is more important than their mere number, and this is a serious problem in Ukraine, as the high volatility shows (World Bank 2003).

Thirdly, the sphere of activity of NGOs matters. Interestingly, the objectives of NGOs seem to differ among regions. A Kyiv workshop and focus group interviews on this topic initiated by the ‘CIVICUS World Alliance for Citizen Participation’ revealed that participants from Western Ukraine and Kyiv perceived civil society as a means for political change in the first place (Kuts 2001). This observation is consistent with the fact that precisely these two regions were most actively involved in the protest movement leading to the ‘Orange Revolution’ in winter 2004. In contrast, civil society representatives from central and eastern Ukraine stressed the social role of civil society organizations as “guarantors of well-being” (ibid.). In this view, the role of NGOs is much more oriented towards the provision of social services in co-operation with local authorities. This is an important function of civil society as well. Yet evidence from local civil society in Russia suggests that in the post-Soviet context the political, democracy-oriented function of interest representation and the social function of providing social services tend to exclude each other (Gilkka-Bötzow 2003). The representation of civil society interests and lobbying towards public authorities requires NGOs that are more or less independent from the state, both in material and in ideological terms. The provision of social services, in contrast, are more efficient and effective, when NGOs co-operate with local, regional or national authorities. In the post-Soviet context of distrust between state and soci-
ety, authorities tend to co-operate with loyal civil society organizations only, which often is guaranteed by the dependence of these organizations from state funding (ibid.). In the same way, many independent (what is often synonymous to opposition-oriented) NGOs hesitate to co-operate with the authorities (‘vlast’’) and to apply for government subsidies because they fear to lose their independence. This adversarial and sometimes “arrogant” (UNDP 2002) attitude towards the government limits their influence on public policy making.

Even in L’viv, which is one of the most active regions in terms of civil society, Claudia Šabič identified a predominance of vertical ties between local authorities and ‘their’ NGOs (Šabič 2004: 208 f.). According to her study of L’viv region, “most of the ‘societal actors’ were established by and have prospered under the protection of the Administration” and therefore seem “to depend on their patron rather than on their clientele” (ibid.). There are very few horizontal ties between social actors. If horizontal ties emerge, it is often because organizations are related to (or dependent from) the same addressee in the administrative hierarchy (ibid.).

With respect to regionalism this means that the social embeddedness of regions remains weak as long as vertical integration predominates horizontal networks. The L’viv example shows that even in a region with a presumably high level of social capital compared to other Ukrainian regions (Åberg/Sandberg 2003, O’Loughlin/Bell 1999, Šabič 2004) the effect on bottom-up regionalism is low because of a lack in horizontal integration.

Having examined the Russian-Ukrainian cleavage, regional identities and regional civil society in Ukraine, we now turn to the economic dimension of regionalism and the question of regional networks between politics and business.

**Regional clans or postmodern networks? The Donec’k case**

In Western countries, recent years saw relevant changes from traditional state-centered administration to ‘new public management’, which promotes flexibility, inter-organizational working and public-private partnership instead of uniformity and hierarchical control (Keating 2003: 53). Regional networks and dense interactions between political, societal and economic spheres are seen as conducive to economic development and competitiveness of regions. It is doubtful, however, if in a country such as Ukraine this post-modern strategy to deformalize relations between business and politics has the same positive effect on regional development as in western societies.
Firstly, in western industrialized societies the modern Weberian state is already established, whereas many post-Soviet countries have significant deficits in rational bureaucratic state administration (Tatur 2004: 39). There is widely spread corruption and a lack of transparency and accountability. Ukraine ranks 122 from 145 countries the 2004 Transparency International’s Corruption Perception Index (www.transparency.org). In particular small and medium enterprises exist in an insecure environment with constantly changing laws and intransparent tax rules that render it almost impossible to run a business without breaking any laws.

Furthermore, the ‘new regionalism’ paradigm implicitly assumes the functional differentiation of different spheres of action and the relative independence of economic, political and social actors. Ukrainian regions, however, have great deficits in functional differentiation and the borders between the economic, political and social spheres never became clearly separated. The strategic connections and mergers of economic and political elites have become a typical feature of man post-Soviet states (Puglisi 2003: 99). Indeed, networks exist, but they are very much different from those networks promoted in the western debate on regionalism. Thus, it is doubtful if this is the right stadium to speak about public-private partnerships, the prerequisite of which is a clear-cut division between public and private. Only if the borders between these spheres are clear, they can be overcome in a transparent manner.

An extreme example for the intertwining of political and economic actors is Donec’k oblast. Donec’k’s economy and politics are dominated by a coherent network of clans that control most of the profitable private or public enterprises. The situation is aptly described by the term ‘state capture’ as the regional business clan has completely captured regional authorities and partly national state institutions (Zimmer 2004, van Zon 2003).

Although formally the region is part of a democratic state with a market economy, it actually functions according to a pre-modern clan logic. Clan networks are embedded in a “neopatrimonial polity” (van Zon 2003) and their power is perpetuated by corresponding social practices such as patron-client relations, corruption and personal rule (ibid).

President Kuchma appointed Victor Yanukovich as governor of Donec’k in 1997 after a period of violent struggles for economic and political power in the mid 1990s (Zimmer 2004). In the following, Yanukovich, who had already high stakes in local business circles, successfully monopolized power in the region. When President Kuchma, who belongs to the Dnipropetrovs’k clan, appointed him as governor, a silent compromise emerged: the clan guaranteed electoral support from Donec’k to President Kuchma, while in exchange Kuchma would
not interfere in the clan’s business affairs. The region’s influence in national politics was manifested by the appointment of Yanukovich as Prime Minister in 2002.

Following a range of doubtful privatizations in the late 1990s, today the whole energy sector, all big basic industrial enterprises and the majority of machine building enterprises are under the control of financial-industrial groups belonging to the Donec’k clan (Bogatov 2002, van Zon 2003). Many of the influential businessmen and rent-seekers in the Donec’k clan are high rank politicians at the same time. Parliamentary seats guarantee immunity, priority access to state resources and direct influence on political decisions. Following the 1998 parliamentary elections, 28 per cent of the total number of deputies were business representatives and more than 20 legislators are estimated to have faced criminal prosecution if they were stripped of their immunity (Puglisi 2003: 109 f.).

It remains to be seen, if and how this is going to develop with the recent change of government in Kyiv. So far, some controversial privatization deals in favor of the Donec’k clan have been reversed. On February 17th a Kyiv based court reversed the decision on privatization of the Kryvorizhstal steelworks. The bidding procedure was seen as discriminatory against foreign bidders, who had offered significantly more than the IMS-consortium, to which the steelwork was sold. This consortium is led by two of the most powerful figures of the previous regime, member of parliament Viktor Pinchuk, Kuchma's son-in-law, and the Donec’k tycoon Rinat Akhmetov, Ukraine's richest man (Ukrainian Times, 02.03.2005). It is in question if for example Akhmetov has legalized his business to a sufficient extent to be able to conduct a relatively independent line of conduct, or if he is vulnerable to the new authorities. In February, President Yushchenko has appointed a new governor of Donec’k, Vadym Chuprun, and instructed him to fight corruption and the black economy in the region. In an interview, Chuprun said that his main task is to separate the regional government from business and ‘political passions’ and that compromise will be key to cooperation with the local business elite (BBC Monitoring Kiev, 17.03.2005).

Up to now, however, Ukraine’s economy in many respects is similar to the Russian “economy of favors” (Ledeneva 2001). Both are largely shaped by soviet legacies of informal and personalized vertical relationships. In the Soviet planned economy, these ties and networks were functional and even necessary in order to overcome the inefficiencies of the system. They were a decisive feature of the Soviet “administrative market” (Naishul’ 1991), where the allocation of planning tasks versus input supplies was carried out through a fierce bureaucratic bargaining. These relationships are aptly described as networks, but they are of a rather dif-
ferent nature than the regional networks we have in mind when talking about ‘new regionalism’ in Western countries. These old-type networks differ from postmodern networks in two decisive aspects: Firstly, they tend to by vertical rather than horizontal and thus do not favor the type of bottom-up regional integration that the term ‘new regionalism’ implies. Secondly, these networks are highly personalized and closed. Being limited to the “people of the circle” (Ledeneva 2001), they lack the flexibility and efficiency of open networks.

Conclusion

It is striking how strongly informal institutions such as vertical patron-client relationships and closed networks that were inherited from the Soviet system still shape social interactions in post-Soviet Ukraine. This was demonstrated in this paper by examples from regionalism in civil society as well as in the political and economic spheres. Following Sabine Kropp’s argument in her paper on institutional design and regionalism, this phenomenon can partly be explained by a combination of insights from historical and rational choice institutionalisms. Based on Douglas North’s differentiation into formal and informal institutions (North 1992) it can be argued that informal institutions are more resistant to change than formal institutions because they are deeply rooted in culture. Whereas formal institutions can be changed overnight as the result of political or judicial decisions, informal institutions embodied in cultural customs and codes of conduct are much more impervious to deliberate policies. According to North, both formal and informal institutions decrease transaction costs by defining and limiting the set of choices of individuals. In transformation societies, however, formal institutions are subject to frequent change and often are poorly designed or not properly enforced. Hence, informal rules tend to be more reliable and effective for actors than formal institutions. Accordingly, actors keep relying on these informal institutions and thereby permanently reproduce them. This is why informal mechanisms in post-Soviet countries should not be regarded as deviant and exceptionary behavior. Rather they could be characterized as rational and strategic practices whose “existence and effectiveness have been proved by the ineffectiveness of attempts to change them” (Ledeneva 2001: 60).
References


